

DEPARTMENT OF FINANCIAL INSTITUTIONS
MINUTES OF MEETING
FEBRUARY 24, 1994, 9:00 AM EST

The Members of the Department of Financial Institutions met at 9:00 a.m., EST, at 402 West Washington Street, Room W-066, Indianapolis, Indiana, on Thursday, February 24, 1994. Members present were Messrs. Mark Hasten, Chairman, presiding, W. Paul Wolf, Vice-Chairman, Norman Lowery, and Douglas Grant. Also present from the Department were Director Charles W. Phillips, J. Philip Goddard, Legal Counsel; James M. Cooper, Supervisor, Mergers and Acquisitions; Kirk J. Schreiber, Bank Analyst; Eric Roberts, Bank Analyst; Randall L. Rowe, Bank Supervisor; Mark K. Powell, Supervisor, Credit Unions; Clothilde Cremona, Intern; and Janice L. Davis, Administrative Assistant. Members absent were Dee Godme, Daniel Leitch, and Tony Zaleski, Jr.

I. PUBLIC SESSION

- A.) Attendance
- B.) The date of the next Members Meeting will be March 10, 1994, at 9:00 a.m. EST.
- C.) Approval of the minutes of the meeting held January 21, 1994. A motion was made for approval of the minutes by Mr. Grant, and seconded by Mr. Lowery. The minutes were unanimously approved.

DIVISION OF BANKS AND TRUST COMPANIES

1) GAB Bancorp, Jasper, Dubois County, Indiana

Mr. Kirk J. Schreiber, Bank Analyst, presented the application to the members. GAB Bancorp (GAB) has filed an application for approval to acquire 100% control of The Otwell State Bank, Otwell, Pike County, Indiana, pursuant to the provisions of IC 28-2-14. The applicant has entered into an agreement with the target bank where the applicant will form an interim bank that will be a wholly owned subsidiary of the applicant. This subsidiary bank will merge with The Otwell State Bank, which will result in The Otwell State Bank being a wholly owned subsidiary of GAB Bancorp. The Otwell Bank will then be merged with Southwestern Indiana Bank of Winslow, Indiana which is another subsidiary bank of GAB Bancorp. Southwestern will be the surviving entity of the merger and its name will be changed to "Community Trust Bank". The surviving bank will have its main office in Otwell. The proposed transaction concerning The Otwell State Bank consists of the exchange of 5.6667 shares of the applicant's common stock for each share of Otwell's common stock. GAB Bancorp anticipates issuing a maximum of 113,334 shares of its common stock in the proposed transaction. The applicant, will reflect a tier one leverage capital ratio of 9.53% on a pro forma basis.

Tier 1 and Tier 2 capital to total assets will be 10.84% on a proforma basis as of September 30, 1993. The parent bank holding company has no debt and received a satisfactory BOPEC Rating. The applicant's three bank subsidiaries have all received satisfactory CAMEL ratings at their most recent bank examinations. The Otwell State Bank has also received a satisfactory CRA rating at their most recent examination.

Mr. Schreiber made note of the fact that the nine statutory requirements of IC 28-2-14 concerning safety, soundness, capital, adequate management, interests of the depositors, and adequate CRA determination have all, in the opinion of the Department's staff, been met. A motion for approval was made by Mr. Wolf, and seconded by Mr. Lowery. The acquisition of The Otwell State Bank by GAB Bancorp was unanimously approved.

2) Southwestern Indiana Bank, Winslow, Pike County, Indiana

Southwestern Indiana Bank (Southwestern) filed an application with the Department for the approval to merge with The Otwell State Bank, Otwell, Pike County, Indiana. The main office of the surviving bank will be located in Otwell, Indiana. Southwestern will be the surviving bank and its name will be changed to "Community Trust Bank." Mr. Kirk Schreiber, Bank Analyst, presented the application and reported that the resulting bank will have a Tier 1 capital ratio of 11.74%. The three year average return on assets for Southwestern is 0.42%, and 1.18% for The Otwell State Bank. As of September 30, 1993, the ROA's for Southwestern and Otwell were -0.33% and 1.21%, respectively. Both Southwestern and Otwell have received satisfactory CAMEL ratings at their most recent examination.

With respect to the management of the resultant bank, the applicant anticipates the following changes: 1) the board of directors of the target bank will join the board of directors of Southwestern to form the board of the resultant bank; 2) Paul G. Cooper, Executive Vice President and CEO of the target bank will become the President and CEO of the resultant bank; 3) Ronald J. Ballard, President of Southwestern will become Vice President of the resultant bank; and, 4) Joseph A. Dixon, Cashier of the target bank will become Vice President and Cashier of the resultant bank. Southwestern has received an outstanding CRA rating at its most recent examination and it was the staff's opinion that the requirements for safety, soundness, managerial expertise, public interest, and CRA have been met.

A motion for approval was made by Mr. Grant, and seconded by Mr. Wolf. The merger was unanimously approved.

3) Owen Federal Savings Bank, Spencer, Owen County, Indiana

Mr. Eric D. Roberts, Senior Bank Analyst, presented the application to the members. The Owen Federal Savings Bank (Owen) applied to the Department for approval of a Plan of Mutual Bank Conversion pursuant to the provisions of IC 28-1-21.7-10. The savings bank is a federally chartered institution, which is regulated by The Office of Thrift Supervision (OTS).

The bank has total assets of \$25 million and total equity capital of \$2.7 million. In September of 1993, the Board of Directors of the bank adopted a resolution which authorized the officers of the federal savings bank to obtain all approvals necessary to consummate the plan of conversion of Owen Federal Savings Bank to Owen Community Bank, S.B., an Indiana state chartered mutual savings bank.

Owen Federal is requesting approval to convert to a mutual savings bank and be governed by the provisions of IC 28-6.1. As a savings bank, the applicant will be regulated by the Department of Financial Institutions and the FDIC. To complete this conversion, the Department and the OTS must both approve the Plan of Mutual Bank Conversion. The deposits of the savings bank will continue to be insured by the Savings Association Insurance Fund.

Mr. Roberts reported that the Tier 1 capital ratio as of December, 1993, was 11.00%. The Tier 1 risk based capital ratio was 21.02% as of the same date. The capital is considered adequate given the moderate asset growth rate and the low level of risk assets. The savings bank maintains a relatively conservative asset structure. The loan portfolio is comprised of real estate and consumer loans. Approximately 80% of the investment portfolio is made up of US government agencies and corporations. The applicant has a wholly owned subsidiary known as BSF, Inc., which is engaged in the purchase of real estate that is subdivided and sold on contract. This type of activity is not permissible for subsidiaries of Indiana state chartered mutual savings banks, pursuant to IC 28-6.1-7-10.

Accordingly, the Department may authorize the resulting savings bank to continue activities legally engaged in by the savings association at the

time of the mutual bank conversion. However, the Department cannot authorize such activities to exceed 10 years.

The ratings by all regulators were outstanding on this particular institution.

Mr. Roberts concluded that the resulting mutual savings bank would be operated in a safe, sound, and prudent manner, and that the conversion would not result in a mutual bank which would have inadequate capital, unsatisfactory management, or poor earnings prospects. The management was found to be well qualified in character and financial responsibility to operate in a legal and proper manner the mutual bank proposed to be formed as a result of the conversion. It is the staff's opinion that the interests of the depositors, creditors, and the public will not be jeopardized by the proposed conversion.

A motion for approval was made by Mr. Grant, and seconded by Mr. Wolf. The application was unanimously approved subject to the converting savings bank discontinuing future real estate investment activities of the wholly owned subsidiary BSF, Inc. and divesting of current real estate investments within ten years from the date of conversion.

4) Northern Indiana Trust Company, Fort Wayne, Allen County, Indiana

Mr. Kirk J. Schreiber, Bank Analyst, presented the application. John L. Hoffer, as incorporator, has applied to the Department for approval to form a State-chartered trust company to be known as "Northern Indiana Trust Company" (Northern), Fort Wayne, Indiana. The company will be a non-depository trust company with no affiliation to a bank, holding company, or other financial services intermediary. The proposed trust company will offer personal trusts, investment agency, employee benefit programs, and other customary trust services. Northern Indiana Trust Company plans to have one office, which will be located in Fort Wayne, Indiana. Northern's primary trade area will be Allen County. The secondary trade area will be Adams, Dekalb, Huntington, LaGrange, Noble, Steuben, Wells, and Whitley counties. The company proposes to have an initial staff of three individuals, which will include two trust officers and one operations officer. Mr. John L. Hoffer, the incorporator, will serve as director, president and senior trust officer of the trust company. Mr. Hoffer has over 31 years of trust experience in which he specialized in turning around failing trust departments and marketing mutual fund products to various trust departments.

The applicant's business plan states the primary objectives of the trust company are to render high quality trust and investment services to the general public and its trust customers by offering a non-traditional method of managing money coupled with superior personal service, and to offer trust services to accounts which are too small for most trust departments.

The market area for the trust company has approximately twenty-five financial institutions. Of those institutions, three commercial banks and one trust company branch office maintained trust assets in the primary trade area, and nine commercial banks maintained trust assets in the secondary trade area. The total of these institutions account for \$3.7 billion in trust assets. The applicant has presented several economic statistics generated by both public and private institutions, which reflect favorably on the prospects of additional trust business in the applicant's proposed trade areas. These include increasing populations trends, low unemployment rates, growing per capita income figures, and a growing economy of the communities, which would indicate a need for a responsive trust provider. The applicant believes that they can attract traditional trust customers from banks due to the personalized service by a locally owned and managed company.

Capital will be offered to individuals and entities pursuant to an offering prospectus. 2,200 shares of common stock, at \$1.00 par value, will be sold only to persons who represent present in writing that they are accredited investors within the meaning of the Securities Act of 1933, and who are acquiring the shares for investment purposes only and not for resale or distribution. The proposed company is offering the 2,200 shares of common

stock at a price of \$500 per share. The total capital proposed for this institution is \$1,100,000. The proposed trust company has also agreed not to pay dividends or open any new locations without the Department's prior approval. The staff of the Department has conducted a thorough investigation into the background, financial responsibility of the officers and proposed board of directors and the application in general pursuant to IC 28-11-5-4, and it is the staff's opinion that: 1) the financial standing and character of the incorporator is considered acceptable; 2) the character, qualifications, and experience of the officers of the proposed trust company is considered acceptable; 3) there is a public necessity for the financial institution in the community in which the proposed trust company is to be established; and, 4) the proposed capital of the trust company is considered adequate. Based on these findings it is recommended by the staff that the formation of this trust company be approved accordingly.

A motion for approval was made by Mr. Wolf, and seconded by Mr. Grant. The application was unanimously approved.

DIRECTOR'S COMMENTS AND REQUESTS

- A) A consideration of the fee schedule for banks, trust companies, savings and loan associations, savings banks, and industrial loan and investment companies. The Director presented the fee schedule for banks, trust companies, savings banks, building and loan associations, and industrial authorities. This schedule is to become effective July 1, 1994. The schedule will become a part of the minutes. A motion for approval was made by Mr. Wolf, and seconded by Mr. Lowery. The fee schedule was unanimously approved.
- B) **Prime Bank, Cromwell, Noble County, Indiana**
The bank has notified the Department that they have closed their branch banking office which was known as "Elkhart Branch" located at 303 S. 3rd Street, Elkhart, Elkhart County, Indiana. The office was closed on November 19, 1993 at 4:00 P.M. This is for informational purposes only.
- C) **Metrobank, Indianapolis, Marion County, Indiana**
The bank has notified the Department that they have closed their branch banking office which was known as "Geist Center Office" located at 11715 Fox Road, Suite 100, Indianapolis, Marion County, Indiana. The office was closed on November 30, 1993 at 5:00 P.M. On December 1, 1993, the bank relocated the branch's drive-up automated teller machine to another branch located at 255 Sheridan Road, Noblesville, Hamilton County, Indiana. This is for informational purposes only.
- D) **American General Finance, Inc., Evansville, Vanderburg County, Indiana**
The industrial authority has notified the Department that they have closed their branch banking office which was located at 4601 Lincoln Avenue, Evansville, Vanderburg County, Indiana. The branch was closed on October 31, 1993, at 6:00 P.M. This is for informational purposes only.
- E) **Mutual Building and Loan Association, Franklin, Johnson County, Indiana**
The association has notified the Department that they have closed their branch banking office which was known as the "White River Branch" located at 298 State Road 135, Greenwood, Johnson County, Indiana. The office was

closed on February 5, 1994, at 12:00 Noon. This is for informational purposes only.

- F) The Director informed the members that Clothilde Cremona, has completed her internship with the Department and will be returning to her home in France. Ms. Cremona thanked the Department for the knowledge and experience she has gained while working on legislation and examinations.
- G) The Director advised the Members of actions taken pursuant to delegated authority, which were as follows:

DIVISION OF BANKS AND TRUST COMPANIES

- 1) FIFTH THIRD BANK OF SOUTHEASTERN INDIANA, GREENSBURG, DECATUR COUNTY, INDIANA
The bank has applied to the Department for permission to establish a branch banking office to be located at 415 West Eades Parkway, in the southwest quadrant of the Dearborn Shopping Plaza, Lawrenceburg, Dearborn County, Indiana. The branch will be named "Lawrenceburg Office." This will be the applicant's sixth branch. The request was approved by the Director under Delegated Authority on January 28, 1994.
- 2) BANK OF GENEVA, GENEVA, ADAMS COUNTY, INDIANA
The bank has applied to the Department for permission to amend Section (d) of its Articles of Incorporation. The amendment will allow the bank to increase its number of shares of capital stock. The request was approved by the Director under Delegated Authority on January 28, 1994.
- 3) PEOPLES BUILDING AND LOAN ASSOCIATION, TELL CITY, PERRY COUNTY, INDIANA
The association has applied to the Department for permission to amend its Articles of Incorporation. The amendment will allow the association to discontinue its operation as a share account association and become and operate as a deposit association pursuant to I.C. 28-4-1-1 et seq. The request was approved by the Director under Delegated Authority on January 28, 1994.
- 4) COMMUNITY BANK, NOBLESVILLE, HAMILTON COUNTY, INDIANA
The bank has submitted a request, which was received on January 4, 1994, to establish a branch banking office to be known as "Motor Bank Branch." The drive-up facility will be located at 239 North 10th Street, Noblesville, Hamilton County, Indiana approximately one block from the main office. This will be the applicant's sixth branch. The request was approved by the Director under Delegated Authority on January 28, 1994.
- 5) COMMUNITY STATE BANK, AVILLA, NOBLE COUNTY, INDIANA
The bank has submitted a request, which was received on December 6, 1993, to establish a branch banking office to be known as "Wolf Lake Office Community State Bank." The branch will be located at 4143 West County Road 100 South, Wolf Lake, Noble County, Indiana. This will be the applicant's second branch. The request was approved by the Director under Delegated Authority on January 28, 1994.

DIVISION OF CREDIT UNIONS

- 1) TEACHERS CREDIT UNION, SOUTH BEND, ST. JOSEPH COUNTY, INDIANA
Request for approval of a Petition for Approval of Proposed Amendment To the Articles of Incorporation. This amendment would place the following organizations into the field of membership of the credit union:

Taco Bell #4827 - Greencastle - 28 members
Days Inn - Crawfordsville - 13 members
Sam's Club - Mishawaka - 175 members
R & J Manufacturing Corp. - Lakeville - 100 members

United Way of Marshall County - Plymouth - 22 members
Associates for Psychological Services - Indianapolis - 5 members
Stability, Inc. - Carmel - 8 members
Woodwright Industries - Elkhart - 5 members
Harness Plumbing, Heating, & Air Conditioning - Walkerton - 3 members
Steve A. Kissel, M.D. - Greencastle - 7 members
HAMCO Distributors, Inc. - Elkhart - 5 members
Daymark Foods, Inc. - Indianapolis - 65 members
Wal-Mart Store #01-1978 - Plymouth - 160 members
Al's Diner - Walkerton - 10 members

The request was approved by the Director under Delegated Authority on January 25, 1994.

- 2) JET CREDIT UNION, INDIANAPOLIS, MARION COUNTY, INDIANA
Request for approval of a Petition for Approval of Proposed Amendment To the Articles of Incorporation. This amendment would place the following organizations into the field of membership of the credit union:

Genesis Homes - Danville - 2 members
Bowman Construction, Inc. of Plainfield - Danville - 2 members
Con-Tex, Inc. - Terre Haute - 2 members
Haley Brothers Coal & Supply - Terre Haute - 40 members
The Best Concrete Company, Inc. - Terre Haute - 4 members

The request was approved by the Director under Delegated Authority on January 26, 1994.

- 3) NICKEL PLATE INDUSTRIAL CREDIT UNION, FRANKFORT, CLINTON COUNTY, INDIANA
Request for approval of a Petition for Approval of Proposed Amendment To the Articles of Incorporation. This amendment would place the following organizations into the field of membership of the credit union:

Heritage Lithographics - Frankfort - 15 members

The request was approved by the Director under Delegated Authority on January 28, 1994.

- 4) WABASH CO. FARM BUREAU CREDIT UNION, WABASH, WABASH COUNTY, INDIANA
Request for approval of a Petition for Approval of Proposed Amendment To the Articles of Incorporation. This amendment would place the following organizations into the field of membership of the credit union:

IBP, Inc. (Formerly Wilson Foods - Logansport - 200 members
Grant County Farm Bureau, Inc. - Marion - 500 members

The request was approved by the Director under Delegated Authority on February 10, 1994.

DIVISION OF CONSUMER CREDIT

- 1) Request for three Pawnbroker Licenses by EZ Pawn Indiana, Inc. The licenses are all to be located in Indianapolis. The applicant is currently licensed pawnbroker in Indianapolis at five locations. EZ Pawn Indiana, Inc. is an operating subsidiary of EZ Corp, Inc., a holding company which currently owns and operates 196 pawnshops in nine states. EZ Corp, Inc. is publicly traded on the NASDAQ exchange and has \$120 million in equity. The company has successfully concluded three public offerings and has access to a \$40 million line of credit which is presently unused. The investigation of character, fitness and financial responsibility revealed no derogatory information. No objections were offered by any law enforcement agencies.

The appropriate bond has been posted. It is recommended that the license be approved. The request was approved by the Director under Delegated Authority on January 20, 1994.

- 2) Request for a Pawnbroker's license by Monna Gregory d/b/a Delaware County Pawn Brokers. The license is to be located in Muncie. The investigation of character, fitness and financial responsibility revealed no derogatory information. No objections were offered by any law enforcement agencies. The appropriate bond has been posted. It is recommended that the license be approved. The request was approved by the Director under Delegated Authority on January 20, 1994.
- 3) Request for a Check Casher license by Indiana Check Casher #1, Inc. The main office is in Indianapolis. There will be three branch locations also in Indianapolis. All references are in order and the applicant has met all of the requirements of the check cashing law. It is recommended that the license be approved. The request was approved by the Director under Delegated Authority on January 20, 1994.
- 4) Request for a Check Casher license by Indiana Checkcashers, Inc. The license will be located in Schererville. All references are in order and the applicant has met all of the requirements of the check cashing law. It is recommended that the license be approved. The request was approved by the Director under Delegated Authority on January 20, 1994.
- 5) Request for a Money Transmitter license by Thomas Cook, Inc. They will be issuing travellers checks at 245 authorized locations in Indiana. They are based in Princeton, New Jersey. They have met all of the requirements of the new Money Transmitter Act. It is recommended that the license be issued. The request was approved by the Director under Delegated Authority on January 20, 1994.
- 6) Request for a Money Transmitter license by Francheque, S.A. an affiliate of Thomas Cook, Inc. They will have two locations in Indiana authorized to sell their French Franc travellers cheques. They have met all of the requirements of the Money Transmitter Act. It is recommended that the license be approved. The request was approved by the Director under Delegated Authority on January 20, 1994.
- 7) Request for a Money Transmitter license by Thomas Cook Australia, PTY, Ltd. They will have two authorized locations in Indiana to sell their Australian dollar travellers cheques. They have met all of the requirements of the Money Transmitter Act. It is recommended that the license be approved. The request was approved by the Director under Delegated Authority on January 20, 1994.
- 8) Request for a Money Transmitter license by Thomas Cook Travellers Cheques, Ltd. They will have two authorized locations in Indiana to sell their Canadian dollar travellers cheques. They have met all of the requirements of the Money Transmitter Act. It is recommended that the license be issued. The request was approved by the Director under Delegated Authority on January 20, 1994.
- 9) Request for a Check Casher license by Indiana Currency Exchange, Inc. They will be located in Indianapolis. There will not be any branch locations at this time. All references are in order. The applicant has met all of the requirements of the check cashing law. It is recommended that the license be approved. The request was approved by the Director under Delegated Authority on January 28, 1994.
- 10) Request for a Check Casher license by Lee's Package Liquor, Inc. They will be located in Indianapolis. There will not be any branch locations. They are applying for a check casher license in order to provide check cashing

services which are not incidental to their retail sales. All references are in order. The applicant has met all of the requirements of the check cashing law. It is recommended that the license be approved. The request was approved by the Director under Delegated Authority on January 28, 1994.

- 11) Request for a Check Casher license by Hoot Enterprises, Inc. d/b/a Hoot Liquors. They will be located in Indianapolis. There will not be any branch locations. They are applying for a check casher license in order to provide check cashing services which are not incidental to their retail sales. All references are in order. The applicant has met all of the requirements of the check cashing law. It is recommended that the license be approved. The request was approved by the Director under Delegated Authority on January 28, 1994.
- 12) Request for a Check Casher license by Peoples Check Cashing Service, Inc. They will be located in Indianapolis. There will not be any branches. The applicant has met all of the requirements of the check cashing law. All references are in order. It is recommended that the license be approved. The request was approved by the Director under Delegated Authority on January 28, 1994.
- 13) Request for a Check Casher license by Universal Payroll Check Cashing, Inc. They will be located in Indianapolis. There will not be any branch locations. The applicant has met all of the requirements of the check cashing law. All references are in order. It is recommended that the license be approved. The request was approved by the Director under Delegated Authority on January 28, 1994.

There being no further business to come before the Members, the meeting was adjourned.

APPROVED:

ATTEST:

Mark Hasten, Chairman

J. Philip Goddard, Secretary